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REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON TUNGSTEN ON ITS SECOND SESSION

held at the Palais des Nations, Geneva
from 8 to 10 November 1993

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Annex

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INTRODUCTION

1. The second session of the Intergovernmental Group of Experts on Tungsten was held at the Palais des Nations, Geneva, from 8 to 10 November 1993. In the course of the session, the Intergovernmental Group of Experts held four plenary meetings.

Opening statement

2. The **Deputy to the Secretary-General of UNCTAD and Director of the Commodities Division** recalled that the prevailing world recession had affected tungsten more seriously than other metals, including its substitutes, molybdenum and nickel. Since 1980, tungsten demand had expanded only in 1984 and 1988 while it had shrunk in 1985, 1987 and 1989 despite strong economic growth. Notwithstanding sluggish demand, supply had remained abundant. Intermediate products and concentrates had increased significantly in importance, so that a solution to the problem of over-supply would have to take these products into consideration.

3. As a consequence of the prevailing situation, tungsten prices had fallen sharply from US$ 170 per ton at the end of the 1970s to US$ 20 per ton in 1993. Prices of intermediate products had decreased to a point where the margins covering processing costs had almost disappeared. This situation was giving rise to concern about the future of the tungsten industry in several producing countries around the world. The number of mines had shrunk from 60 mines in developed countries and 74 in developing countries in 1980 to, respectively, 6 and 25 in 1992. Expert earnings had dropped from US$ 502 million in 1980 to $32 million in 1992.

4. This situation highlighted the importance of the Intergovernmental Group of Experts. It was the only annual gathering that brought together both producer and consumer countries. The deterioration in the availability of statistics was a growing problem, however. With improved cooperation between producers and consumers, there was a possibility to strengthen the tungsten outlook. The focus of attention would have to shift from immediate concerns to medium and long-term prospects. With a view to revitalizing the sector, new tungsten material qualities would have to be found as well as new uses for the metal.

Chapter I

WORK TOWARDS IMPROVING MARKET TRANSPARENCY: EXAMINATION OF STATISTICS AND REVIEW OF THE CURRENT MARKET SITUATION AND MEDIUM AND LONG-TERM OUTLOOK

(Agenda item 3 (a))

5. For its consideration of this item, the Intergovernmental Group of Experts had before it the following documentation:

"Review of the current market situation and medium and long-term outlook - Report by the UNCTAD secretariat" (TD/B/CN.1/TUNGSTEN/7);

"Tungsten statistics - UNCTAD Annual Bulletin" (TD/B/C.1/TUNGSTEN/STAT/L.60);

"Tungsten statistics" (UNCTAD/DMS/Misc.5).

6. Regarding the examination of statistics, a **representative of the UNCTAD secretariat** stated that the task before the Group was to update, revise, and strengthen the tungsten statistics compiled by the secretariat and contained in TD/B/C.1/TUNGSTEN/STAT/L.60 and UNCTAD/DMS/Misc.5. These statistics were derived principally from Government replies to the quarterly questionnaire, and national or international publications, including by the European Community, the United States Bureau of Mines and the International Tungsten Industry Association, and periodicals such as the Metal Bulletin and Metal Week. They covered production, consumption, trade and stocks for both tungsten concentrates and products. Despite efforts to make the data as complete as possible, in some areas there were still serious shortcomings, which could only be remedied by member countries.

7. As for the market situation, TD/B/CN.1/TUNGSTEN/7 showed that tungsten had continued to face an extremely weak market situation. Poor performance of the world economy and changing structural conditions in both the economy and industry were significant factors affecting demand in recent years. There had been major geographical shifts in the international source of supply. This factor had contributed to the abundant availability of tungsten materials and had provoked the concomitant market instability. Materials held in various forms of stock were believed to be plentiful in relation to current demand. Moreover, the collapse in world demand had recently led to an increase of "distress" sales by a number of small suppliers. Prospects for recovery awaited a major turn-around in the major economies of the world before consumption would increase or the situation improve. In the longer term, prospects in the tungsten market would depend on a better balance between supply and demand. On the supply side, conditions were moving towards a strengthening of the market. On the demand side, most forecasts of longer-term economic trends foresaw only moderate growth rates, particularly in the tungsten-consuming industries. In the circumstances, the more favourable prospects could at best assure only a moderate increase in tungsten consumption. But any improvement was likely to be affected by the negative effect on tungsten demand, owing to changing structural conditions which would restrain tungsten consumption.

8. The representative of the **United Kingdom** said that production/consumption statistics and world trade statistics formed two distinct sets of data. Some of the difficulty in updating statistics arose from the fact that many countries did not produce up-to-date statistics and indeed had no particular incentive to do so. The United Kingdom, in common with other EC Member States, submitted full trade statistics to Eurostat in Luxembourg. As the United Kingdom had no indigenous producers, consumption data could be derived from subtracting export figures from those for imports. However, the two companies consuming tungsten ore would not provide details on end-uses and customers as they did not wish to disclose information which was commercially valuable.

9. The representative of **China** stated that the impressive study done by the secretariat in preparation for the session showed how the world tungsten situation was closely linked to the world economic recession. The latter had led to a drop in tungsten consumption and to the search for replacement products for tungsten. The situation confronting China was similar to that of the world. The secretariat report had covered this quite well. In recent years, exports had been falling: Chinese exports for 1992 amounted to 1,197 metric tons; from January to September 1993, the figure was 308 metric tons.

10. The representative of the **United States of America** stated that total domestic tungsten consumption was expected to be 6,800 metric tons in 1993; that was a decline of about 9 per cent from the 1992 level, in addition to the dramatic drop of about 25 per cent in demand from 1991 to 1992. Domestic consumption of concentrate was now less than 40 per cent of the level of 1988. After a significant drawdown in concentrate and intermediate stocks held by processors in 1992, domestic demand for tungsten concentrate in 1993 had been supplied principally by imports. Scrap accounted for around 30 per cent of United States consumption in 1993.

11. The pattern of trade had shifted somewhat, with imports from Bolivia, Peru and Portugal gaining after a 151 per cent antidumping duty was levied on imports of concentrate from China. However, imports of concentrates were expected to show a decline of 75 per cent from 1991 to 1993. The share of concentrates in imports, combined with intermediate products, had fallen from 87 per cent in 1990 to 45 per cent in the first half of 1993. Overall, China remained the main source, accounting for 49 per cent of total tungsten imports in the first six months of 1993, 80 per cent of its ammonium paratungstate imports and 90 per cent of other intermediate products. No disposal of National Defense stockpiles of tungsten was planned.

12. Turning to the perspectives for 1994, tungsten demand was expected to rise but there was a trend towards a further reduction in domestic consumption of concentrates in favour of increased imports of downstream tungsten products. Beyond 1994, it was expected that consumption would eventually return to the levels of the late 1980s. End-uses for the metal in the United States would remain relatively stable, with approximately two thirds of consumption in the metalworking, mining and construction machinery and equipment sectors. Increases in recycling would depend on the price of competing metals.

13. The representative of **Japan** said that almost all Japanese demand had been met by refining imported ore and intermediate products into primary metal. Domestic production of ore had increased by 10.3 per cent, reaching 545,000 metric tons in 1993, while imports, mainly from Portugal and China, had fallen by 40.8 per cent, the second consecutive annual drop. Domestic demand had fallen sharply, a 21.8 per cent decrease over the previous year, with the continued economic recession entraining a lessening of demand for cemented carbide tools, which accounted for more than 80 per cent of total demand. The prospects for recycling were considered dim, in view of the depressed price of tungsten and the low grade of recycled metal.

14. Tungsten-free manufacturing was gaining ground. Substitution of imported tungsten for cutting and drilling tools had been facilitated in two ways: by the use of various coating materials to extend the lifespan of tools, and by the increased use of molybdenum and nickel alloys. The share of cermet had grown to 26 per cent, as compared to 5 to 8 per cent in North America and Europe.

Chapter II

CONSIDERATION OF WAYS, MEANS AND MEASURES TO IMPROVE THE FUNCTIONING AND STABILITY OF THE TUNGSTEN MARKET THROUGH STRENGTHENED INTERNATIONAL COOPERATION BETWEEN GOVERNMENTS AND INDUSTRIES OF PRODUCING AND CONSUMING COUNTRIES

(Agenda item 4)

15. The Group decided that, if member countries had any specific proposal on ways, means and measures to improve the functioning of the tungsten market to submit to the Group in advance of its session, they should send it in one of the working languages to the UNCTAD secretariat. The latter would then distribute the proposal to other member countries, so as to allow for its timely examination in capitals before consideration by the Group. This arrangement did not preclude the possibility for members to make proposals in this respect during the sessions.

Closing statement

16. At the closing plenary, on 10 November 1993, the representative of China said that the number of delegations absent from the session had not enabled the Intergovernmental Group of Experts to hold a full discussion on item 4 and expressed the hope that more attention would be given to a substantial discussion in this respect at the next session.

Chapter III

CONSIDERATION OF PROJECT PROPOSALS BY GOVERNMENTS AND INDUSTRY WHICH COULD BE SUBMITTED FOR POSSIBLE FINANCING UNDER THE SECOND ACCOUNT OF THE COMMON FUND FOR COMMODITIES

(Agenda item 5)

17. Following discussions on this item, the Group accepted the Chairman's conclusion as follows:

> The Group of Experts took note of the letter of 23 August 1993 sent by the Director-General of the Common Fund for Commodities to the Chairman of the Intergovernmental Group of Experts on Tungsten regarding the two projects which the Group had approved from the technical and market point of view at its first session. The Group agreed that projects intended for presentation to the Group by its members should meet the Common Fund's criteria specified in its Manual for the Preparation and Management of Projects, and should be sent to the UNCTAD secretariat at least four months in advance of the Group's session in order to allow for their timely examination by other members.

Chapter IV

OTHER BUSINESS

(Agenda item 7)

18. Some participants expressed concern over the insufficient participation, particularly by industry advisers, in the work of the Intergovernmental Group of Experts and their disappointment with the results achieved. It was felt that the mid-term review of UNCTAD, scheduled to be undertaken in 1994, offered an appropriate opportunity for an examination of the effectiveness of the Group, including its future and its working methods.

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

19. The second session of the Intergovernmental Group of Experts on Tungsten was opened on 8 November 1993 by the **Deputy Secretary-General of UNCTAD**, who made an opening statement (see paras. 2-4 above).

B. Election of officers

(Agenda item 1)

20. At its 1st meeting, on 8 November 1993, the Intergovernmental Group of Experts re-elected **Mr. E. Orbegoso** (Spain) as its Chairman and elected **Mr. M. Namba** (Japan) as its Vice-Chairman-cum-Rapporteur.

C. Adoption of the agenda

(Agenda item 2)

21. At the same meeting, the Intergovernmental Group of Experts adopted its provisional agenda (TD/B/CN.1/TUNGSTEN/6) as follows:

1. Election of officers

2. Adoption of the agenda

3. Work towards improving market transparency:

   (a) Examination of statistics and review of the current market situation and medium and long-term outlook

   (b) Consideration of industry views on particular aspects of the tungsten industry

4. Consideration of ways, means and measures to improve the functioning and stability of the tungsten market through strengthened international cooperation between Governments and industries of producing and consuming countries

5. Consideration of project proposals by Governments and industry which could be submitted for possible financing under the Second Account of the Common Fund for Commodities

6. Provisional agenda for the third session of the Intergovernmental Group of Experts

7. Other business

8. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Commodities

D. Provisional agenda for the third session of the Group

(Agenda item 6)

22. At its 3rd plenary meeting on 9 November 1993, the Intergovernmental Group of Experts approved the provisional agenda for the third session (see annex I).

23. The Intergovernmental Group of Experts proposed that the third session should be held for a duration of up to three days, between 7 and 9 November 1994. It was understood that the final decision in this regard would be taken by the Trade and Development Board after appropriate consultations involving, inter alia, the UNCTAD Informal Group on Calendar Matters.

E. Membership and attendance

24. For the membership and attendance list, see annex II.

F. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Commodities

(Agenda item 8)

25. At its 4th (closing) plenary meeting, on 10 November 1993, the Intergovernmental Group of Experts adopted its draft report (TD/CN.1/TUNGSTEN/L.3 and Add.1) and authorized the Rapporteur to complete the report to reflect the proceedings of the closing plenary.

Annex I

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON TUNGSTEN

1. Election of officers

2. Adoption of the agenda

3. Examination of statistics and review of the current market situation and medium and long-term outlook

4. Consideration of project proposals by Governments and industry which could be submitted for possible financing under the Second Account of the Common Fund for Commodities, including consideration of other ways, means and measures to improve the functioning and stability of the tungsten market through strengthened international cooperation between Governments and industries of producing and consuming countries

5. Provisional agenda for the fourth session of the Intergovernmental Group of Experts on Tungsten

6. Other business

7. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Commodities.

Annex II

ATTENDANCE a/

1. The following States members of UNCTAD, members of the Intergovernmental Group of Experts on Tungsten, were represented at the session:

Austria
Bolivia
China
Germany
Italy
Japan
Mexico
Portugal
Republic of Korea
Russian Federation
Spain
United Kingdom of Great Britain and Northern Ireland
United States of America

2. The following other States members of UNCTAD, not members of the Intergovernmental Group of Experts, were represented as observers at the session:

India
Norway
Pakistan

3. The following specialized agency was represented at the session:

International Monetary Fund.

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a/ For the list of participants, see TD/B/CN.1/TUNGSTEN/INF.2.